

Message Text

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C O N F I D E N T I A L BELGRADE 1520

LIMDIS

FROM THE AMBASSADOR

DEPARTMENT PASS EXIM FOR CHAIRMAN MOORE AND ALBRIGHT

E.O. 11652: GDS

TAGS: EFIN, YO

SUBJECT: EXIMBANK'S OPERATING PROCEDURES

REF: A) BELGRADE 1406; B) STATE 046540

1. I MET WITH UNDER SECRETARY FOR FOREIGN AFFAIRS LONCAR THIS MORNING AND EXPLAINED THAT I HAD BEEN INSTRUCTED BY WASHINGTON TO INFORM HIM OF TWO POINTS CONTAINED IN PARA 3 A) AND B) OF REFTTEL A. AFTER I HAD DONE SO, LONCAR, (WHO WAS OBVIOUSLY WELL-VERSED ON THE SUBJECT) THANKED ME FOR THE "BRIEF AND CLEAR EXPOSE" ON THE MATTER. HE SAID THERE WAS NO NEED TO EMPHASIZE THAT YUGOSLAVIA WAS DEEPLY INTERESTED IN IMPROVING BILATERAL RELATIONS IN GENERAL, AND ECONOMIC RELATIONS IN PARTICULAR. HE ADDED THAT YUGOSLAVIA SHARED OUR FEELING AND REGRET THAT WE FACE A DEADLOCK ON THE EXIM ISSUE, BUT THAT HE FELT MOST DIFFICULTIES, INCLUDING THIS ONE, COULD BE OVERCOME.

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2. LONCAR SAID THE YUGOSLAVIA POSITION ON EXIM WAS DETERMINED BY FUNDAMENTAL POLITICAL PRINCIPLES, WHICH YUGOSLAVIA ASKED THE U.S. TO ACCEPT REGARDING ITS NEW CONSTITUTIONAL LAWS AND REGULATIONS. HE SAID THE CONSEQUENCES OF FAILURE TO RESOLVE THIS PROBLEM WOULD BE BOTH POLITICAL AND ECONOMIC. HE WENT ON TO SAY THAT SHOULD THE EXIM PROBLEM NOT BE RESOLVED, YUGOSLAV IMPORTS OF U.S. KNOWHOW AND EQUIPMENT WOULD NOT

PROCEED EASILY. THIS, HE STATED, WOULD REQUIRE A NEW POLICY COURSE CONTRARY TO THE ONE NOW BEING PURSUED. HE SAID YUGOSLAVIA HAD HOPED TO COMPENSATE FOR ITS CURRENT TROUBLES WITH THE EC BY INCREASED TRADE WITH THE U.S., BUT NOW FACED A MAJOR OBSTACLE WITH THE U.S. AS WELL. LONCAR COMMENTED THAT YUGOSLAVIA SEEMED TO BE IN A CONTRADICTORY POSITION AS FAR AS U.S. POLICY GOES: ON THE ONE HAND, THE U.S. HAS ENCOURAGED YUGOSLAVIA TO DEVELOP AN OPEN MARKET ECONOMY, WHILE ON THE OTHER HAND, THE U.S. IS TOUGHER WITH YUGOSLAVIA THAN WITH COMECON COUNTRIES. THIS, HE SAID, WAS DIFFICULT TO UNDERSTAND.

3. I REPLIED THAT WE RECOGNIZED THE DIFFICULTY OF ADEQUATELY TAKING INTO ACCOUNT THE UNIQUE POSITION OF YUGOSLAVIA. NOW, HOWEVER, A MAJOR STEP HAD BEEN TAKEN BY EXIM TO ADAPT ITS REGULATIONS TO YUGOSLAVIA'S NEW SITUATION, TO WHICH THE "PRELIMINARY" REPLY WE RECEIVED EARLIER THIS WEEK WAS THAT NONE OF THE THREE EXIM PROPOSALS WAS ACCEPTABLE AND THAT THE MEMORANDUM ITSELF WAS NOT A BASIS FOR FURTHER DISCUSSION.

4. LONCAR THEN TURNED TO THE MEMORANDUM. SPEAKING PERSONALLY, HE SAID, AND ACCEPTABLE APPROACH TO THE QUESTION OF JOINT BANK GUARANTEES MIGHT BE FOR SUCH JOINT GUARANTEES TO BE FURNISHED FOR LOANS OF 50 OR 100 MILLION DOLLARS. BELOW THAT AMOUNT, HE SAID, LET ALONE FOR ALL LOANS OVER ONLY ONE MILLION DOLLARS. A JOINT GUARANTEE WOULD BE IMPOSSIBLE. IN ANY EVENT, LONCAR
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CONCLUDED, HE FELT THIS MATTER COULD BE DISCUSSED FURTHER, AND THAT WE MUST TRY TO BREAK OUT OF THE PRESENT DEADLOCK.

5. I ADDED, AS A PERSONAL COMMENT, THAT IN MY OPINION THE QUESTION OF THE AMOUNT ABOVE WHICH LOAN WOULD REQUIRE A JOINT BANK GUARANTEE COULD BE NEGOTIABLE. LONCAR SAID HE WOULD BRING THE MATTER TO THE ATTENTION OF THE COMPETENT AUTHORITIES AND STATED THAT WE SHOULDNOT CLOSE OFF FURTHER DISCUSSIONS.

6. (FYI: EARLIER IN THE DAY EMBASSY'S ECON COUNS INFORMED FINANCE SECRETARIAT COUNSELOR JELIC OF THE TWO POINTS IN PARA 3 A) AND B) OF REFTTEL A. JELIC, VISIBLY TAKEN ABACK, ASKED WITH SOME CONCERN WHETHER THIS MEANT THAT THE U.S. WOULD PRESENT NO MORE PROPOSALS AND WHETHER YUGOSLAVIA COULD RECEIVE NO MORE CREDITS UNLESS THEY FURNISHED SUPERGUARANTEES.)

7. AT THIS POINT, IF NOTHING ELSE, WE MAY HAVE SUCCEEDED IN KEEPING THE DIALOGUE OPEN ON THE BASIS OF EXIM'S PROPOSED MEMORANDUM (AT LEAST WITH REGARD TO THE JOINT BANK GUARANTEES PROPOSED IN PARA 3 OF IT). HAVING NOW RAISED THIS MATTER AT

A SENIOR POLITICAL LEVEL, WE WILL HAVE TO AWAIT THE OFFICIAL
GOY RESPONSE. IF, AS I HOPE, THE GOY TELLS US IT IS PREPARED
TO NEGOTIATE (OR DISCUSS) ON THE BASIS OF OUR DOCUMENT, I
RECOMMEND WE PROPOSE FACE-TO-FACE TALKS IN WASHINGTON.
EAGLEBURGER

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